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Implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006)

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Report of the Secretary-General**

Summary

The present report responds to General Assembly resolution 56/207 in which the Secretary-General is requested to submit to the Assembly at its fifty-seventh session a comprehensive report containing an evaluation of progress made towards achieving the goals of the first United Nations Decade for the Eradication of Poverty, including best practices, lessons learned and obstacles, as well as in the achievement of the 2015 targets for poverty reduction, and recommendations for further action to achieve the 2015 targets, including the identification of resource requirements and possible sources of funding.

The report finds that progress in reducing poverty is mixed at the regional and national levels, and that if performance continues at the present rate, many countries, particularly those in sub-Saharan Africa, are not likely to achieve the poverty reduction goal at the national level by 2015. A similar picture emerges for the attainment of the other poverty-related millennium development goals.

The report briefly reviews a selection of best practices and lessons learned in poverty eradication, including the major obstacles facing countries in this respect. The report highlights the improving outlook for a reversal of past trends in official development assistance (ODA) but underscores the need to close the gap in financial resources required for countries to attain the millennium development goals. The report concludes that movement towards the goals has been uneven and that at

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current rates of progress most of the them are unlikely to be reached by 2015 in several regions, in particular in sub-Saharan Africa. Selected best practices and lessons learned are reviewed here. These tested approaches and strategies, which may be employed to overcome many of the obstacles to poverty eradication, provide some cause for optimism. However, for this to happen, there is an urgent need to increase the dissemination and accessibility of these practices and lessons. A supportive international economic environment is also essential in assisting countries to overcome the obstacles to eradicating poverty.

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I. Overview of progress in poverty reduction

1. This report should be read in conjunction with the following reports of the Secretary-General: implementation of the United Nations Millennium Declaration (A/57/270); integrated and coordinated implementation of and follow-up to the outcome of the major United Nations conferences and summits, including the Millennium Summit (A/57/75-E/2002/57); *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002*;[1] implementation of the outcome of the World Summit for Social Development and of the twenty-fourth special session of the General Assembly (A/57/115); international financial system and development (A/57/151); and contribution of human resources development, including in the areas of health and education, to the process of development (E/2002/46).

2. Progress towards the goals of the first United Nations Decade for the Eradication of Poverty, and the millennium development goal to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day has been uneven; some countries and regions are on target to reach this goal by 2015, while others continue to lag behind. Similarly, progress towards the time-bound targets for the other dimensions of poverty[2] has been mixed; some countries are on track to achieve some of the goals, but none of the goals are likely to be reached at the current rate of global progress. The shortfall may be attributed to, inter alia, insufficient and inefficient public spending, heavy debt burdens, inadequate access to developed countries' markets, and insufficient ODA.

3. The World Bank estimates that between 1990 and 1999 the total number of the world's people living in extreme poverty fell by about 125 million, and the proportion living on less than one dollar a day fell from 29 to 22.7 per cent (see below). However, much of the reduction in global poverty reflects significant progress in East Asia where the proportion of population living on less than one dollar a day fell from 27.6 per cent to 14.2 per cent. In South Asia, although the proportion of poor people fell from 44 per cent to 36.9 per cent, the number of poor has remained almost unchanged largely owing to population growth. Sub-Saharan Africa has the highest proportion of people living in extreme poverty and, despite a slight decline in the head-count index, the number of people in extreme poverty continues to increase. In Eastern Europe and Central Asia the number of people living below two dollars per day — a more adequate poverty line for the population in the region — more than doubled in the 1990s.

4. Based on progress in the 1990s, East Asia and the Pacific is the region most likely to halve the number of people in extreme poverty by 2015. For the other regions, progress in reducing poverty has been slow, and concerted efforts are needed to accelerate poverty reduction in order to meet the 2015 target.

5. In order to halve extreme poverty by 2015, average per capita gross domestic product (GDP) in developing countries would need to increase by about 3.6 per cent per year, a rate of growth that is unlikely to be met by all regions.[3] For example, with average per capita GDP growth in sub-Saharan Africa from 2005 to 2015 projected at 1.5 per cent a year, the poverty reduction target is unattainable, and the absolute number of poor people in the region will continue to increase. Sustained long-term growth is a critical element in eradicating poverty. However, despite progress in measuring poverty over the past 10 years, any attempt to draw conclusions should take into account the lack of recent data for a number of countries, especially in Africa. Moreover, if assumptions about expected changes in reducing income inequality are not realized, then projections about the rate of poverty reduction could be significantly affected.

6. According to estimates by the Food and Agriculture Organization of the United Nations (FAO), hunger was reduced in developing countries during the 1990s, with the number of undernourished people declining by about 39 million. Similarly, the number of malnourished children declined by about 24 million during the last decade. However, nearly two thirds of these countries recorded either no change or an increase in the number of undernourished. In sub-Saharan Africa the number of undernourished people increased by 26 million and the number of malnourished children increased over the same period. In general, rural-urban differentials in child malnourishment are still significant and, on average, underweight prevalence rates are more than one and a half times higher in rural areas. At current rates of progress, the goal to halve the proportion of undernourished people by 2015 is likely to be achieved in some regions but not in others. In some regions,

Population living on less than one dollar per day and head-count index in developing and transitional economies, selected years, 1990-2015

Region	*Number of people living on less than $1 per day (Millions)*[a]		
	1990	*1999*	*2015*[c]
East Asia and the Pacific)	452	260	59
(excluding China)	(92)	(46)	(6)
Eastern Europe and Central Asia	7	17	4
Latin America and the Caribbean	74	77	60
Middle East and North Africa	6	7	6
South Asia	495	490	279
Sub-Saharan Africa	242	300	345
Total	**1 276**	**1 151**	**753**
Total, excluding China	**916**	**936**	**700**

	Head-count index (Percentage)[b]		
	1990	*1999*	*2015*[c]
East Asia and the Pacific)	27.6	14.2	2.8
(excluding China)	(18.5)	(7.9)	(0.9)
Eastern Europe and Central Asia	1.6	3.6	0.8
Latin America and the Caribbean	16.8	15.1	9.7
Middle East and North Africa	2.4	2.3	1.5
South Asia	44.0	36.9	16.7
Sub-Saharan Africa	47.7	46.7	39.3
Total	**29.0**	**22.7**	**12.3**
Total, excluding China	**28.1**	**24.5**	**14.8**

Source: World Bank, *Global Economic Prospects and the Developing Countries 2002* (Washington, D.C., 2001), table 1.8, p. 30.

[a] The $1 per day is in 1993 purchasing power parity terms. The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985-1999.

[b] The head-count index is the percentage of the population below the poverty line.

[c] Forecasts.

such as in sub-Saharan Africa, the goal may not be met by 2015 even if some countries within the region do achieve it.

7. The number of people with access to safe drinking water increased from 77 to 82 per cent during the last decade. However, in sub-Saharan Africa more than 40 per cent of the population still has no access to safe drinking water. In general, rural areas have less access to safe drinking water than urban areas. The greatest rural-urban disparity is in sub-Saharan Africa where, on average, 45 per cent of the rural population has access as compared with 83 per cent of the urban population. Similar high disparities are evident in Latin America and Eastern Asia. Overall, however, if the current rate of increase is sustained, the millennium development goal with respect to improving access to safe drinking water appears attainable.

8. In 2000 the average under-five mortality rate in the developing countries was 10 times higher than in the developed countries. The highest rate is found in sub-Saharan Africa where under-five mortality was reduced by only 3 per cent during the last decade. For some sub-Saharan countries with high levels of HIV infection, the slow progress can be attributed in part to mother-to-child transmission of HIV. In general, the slow progress is a result of inadequate measures to reduce malnutrition and child mortality from diarrhoea, pneumonia, vaccine-preventable diseases and malaria.

9. There has been progress towards the goal of universal primary education by 2015, as evidenced by the increase of about 82 million in the total number of pupils in primary education between 1990 and 1998. Although net enrolment ratios for primary education have improved in the developing countries, progress in individual countries remains uneven. In particular, countries in sub-Saharan Africa still lag behind other developing countries. Gender disparity in enrolment in education has improved, but girls in developing countries are still at a disadvantage at both the primary and secondary levels. The task of ensuring universal primary education and eliminating gender disparity remains an important challenge for many developing countries.

10. Promoting gender equality in the work force and empowering women are important contributors to moving people out of poverty. The International Labour Organization (ILO) estimates that over the period 1990-2000, women's share in paid employment in the non-agricultural sector increased in almost all countries in its sample. In countries with economies in transition, the share averaged about 50 per cent in 2000; in developing countries in Asia and the Pacific, the share averaged 40 per cent; and in Latin America and the Caribbean, the share ranged from 35 to almost 50 per cent. In Africa, on the other hand, women's share is highly variable and ranges from a low of 11 per cent in Chad to about 40 per cent in Botswana.

11. Nowhere are the effects of extreme poverty more evident than in the squalid slums of urban areas. The lack of adequate housing remains a pressing challenge in the fight to eradicate extreme poverty, particularly in the urban areas in developing countries. In 2001, one third of the world's urban population, or 837 million persons, lived in slums. The rapid growth of slum-dwellers in the urban areas of developing countries suggests that the problem will likely worsen in those areas that are already most vulnerable. In Africa, where an estimated 56 per cent of the region's urban population are slum-dwellers, the situation will become critical unless drastic measures are put in place. With the current worldwide trend in urbanization, it is estimated that 55.7 per cent of the world population will be living in urban areas by 2020. Without the necessary interventions, the number of slum-dwellers will continue to increase.

12. At the end of 2001, an estimated 40 million people globally were living with HIV. In sub-Saharan Africa alone, there were 2.3 million AIDS-related deaths in 2001, and the prevalence rates among adults reached 8.4 per cent, rising to over 30 per cent in some areas. The most rapid spread of the disease is in Eastern Europe and Central Asia: in 2001, an estimated 250,000 new infections occurred in the region, bringing to one million the number of people living with HIV. In many parts of the world young adults are especially vulnerable, and a third of those living with HIV/AIDS are aged 15-24. In sub-Saharan Africa, adolescent girls are at particularly high risk of HIV infection: more than two thirds of the newly infected 15 to 19 year olds are female, and over 8 per cent of young women are currently living with HIV/AIDS, compared with around 4 per cent for young men. Prevention programmes have reversed trends in infection among young adults in selected countries: in Uganda, for example, the HIV prevalence rates among pregnant girls aged 15 to 19 fell from 22 per cent in 1990 to 8 per cent in 2000.

II. Obstacles, best practices and lessons learned

13. The obstacles to poverty eradication, best practices and lessons learned are closely interrelated. In overcoming obstacles, various approaches are attempted from which a best practice emerges. The lessons are often learned in the process of discovering the best practice.

14. Many obstacles to poverty eradication arise from the political, economic and social conditions that exist within a particular country at any given point in time. However, this report cannot provide a comprehensive review that takes into account all the regional and national differences that shape particular obstacles to poverty eradication.

15. At the same time, there is a rich and expanding literature on best practices and lessons learned for the reduction of poverty in its various dimensions. In the present report, however, it will be possible to highlight only some key examples of experience accumulated around the world. Section II of the report should be read in conjunction with the comprehensive report on the implementation of the outcome of the World Summit for Social Development (A/AC.253/13-E/CN.5/2000/2), which presents a compilation of national experiences with poverty eradication, including best practices, lessons learned and obstacles encountered.

16. The term "best practice" is increasingly used to refer to successful, innovative solutions to public sector problems. Best practices are based on what works. They are promoted and used as a means to improve public policy; raise the awareness of decision makers at all levels and of the public of potential solutions to common social, economic and environmental problems; and share knowledge, expertise and experience through networking and learning. Identifying an activity as a best practice suggests that it can and should be replicated; that ideas can and should be generated from it; and that it can and should contribute to policy development. However, caution is necessary in adopting best practices because they may not apply equally well to all situations and, in particular, may need to be adapted to suit the social, economic, cultural and historical conditions in a country. In general, best practices related to poverty and social exclusion should be innovative, offering new and creative solutions to common problems. They should make a difference by demonstrating a positive and tangible impact on the living conditions, quality of life or environment of the individuals, groups or communities concerned. In addition, their effects should be sustainable, especially with regard to the involvement of participants, and have the potential for replication, serving as a model for generating policies and initiatives elsewhere.

17. In order to qualify as a best practice, an activity should be evaluated according to the criteria of innovation, success and sustainability by both experts and the people concerned.[4] To function as a model for replication, however, information about an activity must be easily accessible. Several databases already document best practices, including those established by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the United Nations Centre for Human Settlements (Habitat). Best or good practices are also widely discussed and disseminated, for example, in the documents and regional forums of the World Bank and the United Nations Development Programme (UNDP).

18. An enabling economic environment is key to development and successful poverty eradication. However, there are a number of economic obstacles[5] such as underdeveloped financial systems, market failures, absent markets, macroeconomic instability and weak infrastructure, that can severely impede an economy's ability to grow rapidly enough to foster adequate poverty eradication and social development or increase human capacity. Macroeconomic instability, for example, leads to low growth rates and places a heavy burden on the poor, especially when inflation erodes the wages and assets of the poor more than any other segment of society. In this regard, appropriate macroeconomic policies are essential in order to provide an enabling domestic environment for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance. In addition, financial reform and action at the microeconomic level are needed to mobilize the energy and productive capacity of poor people. A significant best practice to reduce poverty is to promote microfinance

19. The Grameen Bank is an example of a useful form of microfinance[6] that grew from a research project undertaken by economics professor Muhammad Yunus of Bangladesh. In his research he examined the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. Following the success of the pilot project, the Grameen Bank was extended to several other districts in the country. In October 1983, the Grameen Bank project was transformed into an independent bank by government legislation. The bank is owned by the rural poor whom it serves.

20. Another recent example of a best practice in this regard has been the creation of opportunities through microfinance in Bosnia and Herzegovina. In December 1996 the Government of Bosnia and Herzegovina and the International Development Association of the World Bank (IDA) established the Local Initiatives (Microfinance) Project to develop microfinance institutions to lend money and offer other business-

related services to low-income entrepreneurs. By February 2001, nearly 74,000 loans had been disbursed to microentrepreneurs across Bosnia and Herzegovina, creating or sustaining about 100,000 jobs. Women make up nearly half of all borrowers, and a quarter of the loans have been made to displaced persons or returning refugees. The repayment rate in the project is about 98.5 per cent.

21. One of the lessons these examples provide is the importance of developing and promoting financial institutions that allow poor people to create opportunities for themselves and their communities in order to achieve economic and social development. Poor people face significant obstacles in escaping poverty, particularly the lack of access to financial assets, and these initiatives enable them to achieve sustainable economic and social progress more easily.

22. Social obstacles can also be powerful impediments to economic development and poverty eradication. Among these, some of the most significant are population growth and a lack of access to education and health care.

23. Human resources determine to a considerable degree the character and pace of economic development; thus, a poorly educated workforce limits increases in productivity and competitiveness and slows economic growth. In addition, poverty prevents poor families from sending their children to school, and a rapidly expanding population dilutes educational expenditures, diminishing their effectiveness. Both of these factors limit access to education.

24. In many developing countries, the population is growing faster than the ability of society to provide the education and skills necessary to improve economic growth. A rapidly growing population lowers per capita income growth, especially for those who are already poor, live in rural areas and depend on agriculture. In addition, rapid population growth requires Governments to invest in education and health services in order to meet the needs of increasing numbers of people, especially in the younger segment of the population.

25. In overcoming these obstacles, an important best practice is enhancing girls' enrolment in school. Both demand- and supply-side interventions have helped to increase girls' enrolment in school in a number of countries. In Bangladesh, a school stipend programme was established in 1982 to subsidize various expenses for girls enrolling in secondary school.[7] The enrolment ratio increased significantly in the pilot project area, from 27 to 44 per cent, over a five-year period in the 1980s, or more than twice the national average. Following the success of this programme, the Government of Bangladesh launched the Female Secondary School Assistance Project (FSSAP) in 1994, supported by the IDA; in 2002, the second phase of the FFSAP received a $120.9 million credit from the World Bank to help improve both the quality and accessibility of girls' secondary education in rural Bangladesh.

26. A similar programme was implemented in Mexico, as part of a comprehensive multisectoral programme of poverty reduction in 1997. Poor families were given a grant for each child under 18 enrolled in school between the third grade at the primary level and the third grade at the secondary level. Grants were slightly higher for girls than for boys. The programme increased enrolment ratios at all levels, particularly at the transition from primary to secondary education when many children traditionally tend to drop out.

27. In Pakistan several pilot projects were initiated targeting girls' enrolment in Balochistan, the largest but most sparsely populated province of Pakistan.[8] One pilot project provided a subsidy to private sector and non-governmental organizations to open primary schools in urban slum areas of Quetta, Balochistan's capital; the government subsidy was linked to enrolled girl students. As a result of this initiative, the school enrolment of both girls and boys increased sharply in urban slum areas. A similar project was started in the rural areas of Balochistan.

28. In term of lessons learned, female education is perhaps the single most effective incentive for social development at the present time. An educated mother will have fewer children and take better care of those she has, teach them basic hygiene and encourage them to attend school. She will be more productive on the family farm and have greater chances of finding employment off the farm.

29. While sustained attention to education and human resources development is a crucial element of any poverty eradication strategy, building and developing sustainable capacity requires going beyond this. Capacity-building and development require an integrated process for enhancing the ability of individuals, organizations, institutions, policy makers and the country as a whole to achieve priority

development objectives in a sustainable manner. The value of educating and training many individuals will remain limited unless the overall policy and institutional environment within which these individuals live and work is such that they can put their skills to productive use.

30. As a response to the limited availability of skilled human resources in many developing countries, there has been an emphasis on technical assistance. However, in many cases this has been short term and therefore not sustainable. There is a need for longer-term technical assistance and capacity-building so as to improve project effectiveness. Capacity-building, monitoring and evaluation are key components that need to be strengthened for better design and execution of projects.

31. Political obstacles may have as much of an impact on development as economic or social obstacles. Political obstacles include underdeveloped institutions, poor governance and too much intervention in the economy by the centralized Government. In many developing countries, government institutions are either absent, inefficient, or weak. Even in countries with the requisite institutions, poor governance greatly limits the government's effectiveness. It can result in unstable economic and political policies, create obstacles to economic growth and foster corruption. Pervasive corruption and the growth of the grey economy has led to reduced tax revenue to Government and consequently to reduced resources for social development. Political obstacles of this nature may often be overcome through such best practices as empowerment through community-driven development.

32. The north-east Brazil Rural Poverty Alleviation Programme was reformulated from a centrally administered, integrated rural development programme into a community-driven programme that targets the poorest communities and involves them in decentralized decision-making, with a reduced role for public agencies. Funds are channelled directly to community groups that manage investments and are accountable for them. It is estimated that 93 per cent of programme resources now reach communities, compared with 40 per cent under the previous rural development programmes and 20 per cent under the earliest integrated rural development programmes.

33. Under the Zambia Social Recovery Programme supported by the IDA, matching grants are provided directly to urban and rural community groups. Communities choose from a menu of eligible social and economic infrastructure interventions. Impact evaluations of earlier interventions found that grant-financed schools and health centres performed better than similar institutions whose financing did not involve communities. Teachers and health workers attended more regularly; the physical infrastructure was better; more members of the community used the facilities; and they were more likely to pay school fees and organize health centre maintenance committees.[9]

34. Another example is the second Health, Population, and Rural Water Project for Mali, which aims to improve the delivery of health services in the countryside in partnership with local communities and UNICEF. By 1998, nearly 300 new community health centres had been built; the percentage of the population living within 15 kilometres of a health facility rose from 17 per cent in 1995 to 39 per cent in 1998. Community management committees were established for some government clinics, although the staff were employed by the Government. Generic prescription drugs are now widely available and community health centres are able to cover recurrent costs from drug sales.[10]

35. As another example of decentralized community development, in 1998, a project was launched by the Government of Indonesia to support decentralization through direct transfer of government funds to subdistricts (*Kecatamans*). The project allowed people to choose whether to use funds for "social goods" such as infrastructure projects (roads, bridges, irrigation schemes, marketplaces) or for individual "revolving funds", to be paid back with interest, for small scale income-generating activities. By early 2001, 10,000 villages were receiving funds that helped build 10,000 kilometres of roads and supply communities with clean water.[11]

36. Similarly, the Malawi Social Action Fund, launched in 1996, finances self-help community projects. Projects are selected and monitored by local advisory committees comprised of NGO representatives, Social Action Fund staff, government officials, and beneficiaries. One of these community projects supports the orphanages run by the non-governmental organization Friends of Orphans Community Care Centre, which now cares for more

than a thousand children and trains caregivers to raise orphans so they can remain in the community.[11]

37. The Slum Improvement Project (SIP) in Bangladesh was established in 1985 in five municipalities to address the social and environmental problems affecting slum-dwellers. It enabled the local authority to provide an integrated package of basic physical, social and economic infrastructure services to the urban poor. The microcredit component of the project has been particularly successful and many poor households have increased their income using this facility. The project raised levels of awareness, particularly in health and sanitation, among slum-dwellers, with significant reductions in the incidence of numerous diseases. The project has also empowered poor women through community involvement, particularly through the savings and credit programme, which raised the overall status of women in families and communities. The project was followed by a second phase in 1990; by 1994 it had grown to include 25 cities and towns and 185 slum clusters reaching 40,000 women.

38. In terms of lessons learned, participatory policy-making is essential. To ensure that the process of policy-making is politically sustainable, better collaboration is needed between Government and civil society at all stages of policy-making and implementation. Policy formulation, especially economic policies, must be coordinated with the policies and objectives for poverty eradication and social development. To enlist greater support from the public and increase awareness, poverty eradication and social development objectives must be accorded the same level of priority as that given to economic and other national issues.

39. In this regard, community development has a significant effect on reducing poverty. The promotion of participation, community management and government enablement constitutes a viable strategy to reduce poverty. However, while participation is a necessary condition for effective poverty reduction, it needs to be complemented by management skills that strengthen the capacity of people to participate in organized action and to harness their productive potential. Such popular initiatives are incomplete and less sustainable without government support. Communities and their organizations can more effectively and equally collaborate with local Governments and NGOs when they employ acquired skills for community management. Principles of democratic planning and resource mobilization place popular organizations in a stronger position to negotiate with institutions based outside their settlements.

40. A strong civil society is essential to bridge the gap between the State and its citizens. It is important to facilitate people's ability to take control of their own lives and to encourage Governments to work with them in more effective ways. Major challenges in post-centrally planned societies include, for example, giving further stability to civil society and enhancing its institutions. Genuine civic engagement in the life of the community is indispensable for strengthening citizen's responsibility for the management of their communities, and for shaping a political and economic agenda conducive to social progress and development.

41. Environmental degradation is a growing obstacle in developing countries. Damage to water supplies, land and forests slows economic development by increasing health-related costs, reducing agricultural productivity and increasing the income gap between rich and poor. The destruction of environmental resources lessens developmental potential.

42. Integrated environmental management is a good example of a best practice in overcoming environmental degradation. Thus, the Dana Nature Reserve integrated management programme in Jordan links the conservation of biodiversity with the socio-economic development of targeted local communities living in and around the protected area. Prior to the beginning of the project, the unmanaged use of the natural resources by nomadic and settled communities had resulted in degraded rangeland and soil erosion and had reduced tree regeneration almost to zero. The project was developed by building on local skills and initiatives, creating opportunities for local people to gain a livelihood from the nature reserve without destroying it. Activities include producing dried fruits, raising medicinal herbs as a cash crop and making jewellery. One feature of the programme is a low-impact tourism initiative in which virtually all the new tourism-related jobs (including tour guides, rangers, campsite managers, cooks, cleaners, receptionists and shop managers) have been given to the local people. An important outcome has been that the villagers have started to explore opportunities presented by the growing number of tourists attracted by the protected area. They are creating home-grown initiatives that

represent tangible evidence of the capacity-building within the local community resulting from the programme's emphasis on income-generation. The ecology of the area is recovering owing to sustainable ecotourism practices and the socio-economic benefits of the programme, which have decreased pressure on the reserve's natural resources.

43. The critical links between poverty and the environment mean that a sound strategy to ensure environmental sustainability must be an important part of a poverty-focused development strategy.

44. Overall, one of the key lessons learned is that although a principal mechanism for achieving poverty reduction is faster economic growth, income growth on its own is insufficient to ensure that poverty eradication targets can be met. Experience shows that broad-based and equitable development across income groups is needed for sustainable poverty reduction, with mutually reinforcing investments in both economic and social sectors. Pro-poor growth is needed, with separate strategies for specific conditions in urban and rural areas. While many poor will benefit from general development and growth, others in more isolated and impoverished areas will need much more targeted support both upstream and downstream, with special efforts to extend the benefits of sound policies and develop enabling environments for them.

45. It is also clear that the effective flow of useful information, knowledge and research is fundamental to strategic planning, policy and decision-making, as well as for capacity development, participation, ODA coordination and poverty reduction. The generation of new research and knowledge specific to national and local conditions can also make a very valuable contribution to the development policy debate in a developing country, provide the basis for more effective poverty reduction policies and programmes, and facilitate the mobilization and coordination of both national and foreign resources in the battle against poverty.

46. While there are significant obstacles to growth, it must be borne in mind that many countries have improved their level of economic and social development and have reduced poverty. With help from the international community, poor countries that adopt appropriate internal policies can dramatically improve the living standards of their citizens.

III. Financial resources for poverty eradication

47. It is beyond the scope of this report to undertake precise estimates of the international resources required to enable countries to attain the millennium poverty reduction goal by 2015. The High-level Panel on Financing for Development (A/55/1000) and, more recently, the World Bank and the Commission on Macroeconomics and Health[12] have undertaken indicative estimates of how much would be required to achieve the millennium development goals. Those estimates suggest that an extra $40 billion to $60 billion per year of ODA would be required to assist countries to attain the goals by 2015. However, the achievement of the goals by 2015 will depend to a great extent on the efficiency of service delivery as well as the availability of money. Thus the total of $40 billion to $60 billion a year should be interpreted only as indicating an order of magnitude.

48. ODA from the member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) declined in nominal terms in 2001 to $51.4 billion from $53.7 billion in 2000, a drop of nearly 4.3 per cent. However, after taking into account inflation and exchange rate movements, the fall in "real ODA" was only 1.4 per cent. Overall, the ratio of ODA to donor gross national product (GNP) for DAC member countries as a group remained at 0.22 per cent. Nevertheless, while total ODA has declined in recent years, the share going to basic social services, including basic education, basic health, population programmes and reproductive health, and poverty-focused water and sanitation projects, has increased from 8 per cent of ODA in 1995 to 14 per cent of ODA in 2000 ($4 billion).

49. Prospects have brightened for a halt in the decline in ODA with the renewed commitment of some major donors to increases in ODA at the International Conference on Financing for Development held in Monterrey, Mexico in March 2002. The United States of America plans to raise its core development assistance by $5 billion annually by 2006, with the additional funds being placed in a new millennium challenge account to be distributed to developing countries showing a strong commitment to good governance, health and education, as well as sound economic policies to promote enterprise development

and entrepreneurship. The member countries of the European Union (EU) have pledged to increase their collective ODA to 0.39 per cent of their GNP by 2006 as a step towards reaching the 0.7 per cent target.[13]

50. Thus, the Monterrey Consensus of the International Conference on Financing for Development[14] reflects a new and increasingly firm partnership between donors and recipients of ODA, that emphasizes that greater aid effectiveness is a donor as well as recipient responsibility. This requires further untying of aid and reducing the transaction costs of aid delivery by harmonizing bilateral and multilateral donor policies and procedures, coordinating disbursement and delivery mechanisms, and moving towards common pooling arrangements, whereby donors provide direct budgetary support to recipient country-owned programmes.

51. Past experience with aid contracts indicates that tying procurement to suppliers in the donor country reduces cost-effectiveness. Over the past decade, the share of untied aid rose from 60 per cent to 80 per cent. In 2001, the DAC adopted a new recommendation to untie aid to least developed countries, hoping to spur growth in those countries.

52. Experience shows ODA is highly effective in countries with sound policies and institutions. Thus, donors need to rely on other instruments to support development in distorted environments. To have a greater effect on global poverty reduction through equitable and sustainable development, foreign assistance requires a three-way partnership including the recipient countries, the aid agencies and the donor countries. The rate of return on ODA investments is likely to be severely limited and unsustainable without an enabling macroeconomic policy and institutional environment. Hence, improving institutional capacity, for example, to support good governance is often a prerequisite to sustainable poverty reduction measures.

53. Ultimately, domestic resource mobilization is key to financing poverty eradication. One of the critical challenges facing developing countries is to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. In this regard, an important challenge for the developing countries is to enhance the efficacy, coherence and consistency of their macroeconomic policies. Success in this endeavour is key to providing an enabling domestic environment for mobilizing domestic resources, increasing productivity, reducing capital flight, encouraging the private sector, and attracting and making effective use of international investment and assistance.

54. Nevertheless, for many developing countries and countries with economies in transition, development partners are urgently needed to provide additional assistance that will ensure that these countries are able to take the necessary action to reduce poverty by half by 2015. To make social progress feasible, the amount of national and external resources allocated to social programmes needs to be significantly increased. Debt relief and greater stability of international financial flows would contribute greatly to efforts to achieve social and economic development. To have the desired impact, the allocation of resources for social development must be subject to clear guidelines on effectiveness, efficiency, focus and accountability. An important lesson learned from the experience of existing poverty reduction initiatives has been that many poorer countries cannot rely on the national budget and external financing alone and should identify local initiatives for mobilization of resources and implementation of sustainable programmes.

55. Since domestic savings do not provide the necessary capital for economic development, developing countries are dependent on external funding; as a result, many have large external debts. In many poor countries, debt servicing pre-empts large proportions of government expenditure, reducing resources available for public social services and development. Debt relief is therefore an imperative.

56. As of late March 2002, a total of 26 countries were benefiting from relief provided by the Heavily Indebted Poor Countries Debt Initiative (HIPC). Since September 2001, three additional countries (Burkina Faso, Mozambique and Tanzania) have reached their completion points. Three additional countries (Ethiopia, Ghana and Sierra Leone) reached their decision points during the same period.[15]

57. While progress has been made in bringing new countries to the decision point, fewer countries than expected have reached their completion points. Countries have required more time than anticipated to develop poverty-reduction strategies, and some countries have experienced delays in implementing key macroeconomic or structural reforms. The challenge of

achieving and maintaining external debt sustainability has become more difficult with the deterioration of the global economic environment. Virtually all HIPC countries are acutely dependent on primary commodities for their export earnings and government revenue and therefore remain vulnerable to declines in world commodity prices and other adverse exogenous developments.

58. At Monterrey, there was broad agreement on an integrated approach to development finance, with good governance and sound macroeconomic policies as the foundation for building strong flows of public and private finance from both domestic and external sources, including foreign investment and sustainable debt financing. It was also agreed in Monterrey to look into the proposal to use special drawing rights allocations for development purposes as a possible innovative source of finance.

59. Clearly, more resources are needed than are currently being provided by traditional sources of funding. There is a genuine need to establish, by international consensus, new sources of multilateral finance that are stable and contractual.

IV. Conclusion

60. Progress towards the millennium development goals has been uneven, and at current rates most of the goals are unlikely to be reached in several regions in 2015, in particular in sub-Saharan Africa. In order to halve extreme poverty by 2015, average per capita GDP in developing countries would need to grow by about 3.6 per cent, a rate that is unlikely to be met in all regions.

61. Despite this bleak assessment, a number of best practices have been identified, and lessons have been learned. Thus, it appears that the obstacles to poverty eradication can be overcome. Examples that emerge from this report include enhancing access to education, especially for girls and women; capacity-building; fostering civil society institutions; empowering communities, especially women; promoting microcredit and microfinance; adapting strategies to specific urban and rural conditions; increasing the effectiveness of aid, especially by further limiting the practice of tying procurement to donor country suppliers; and protecting the environment. However, much of the evidence remains anecdotal, and it is often unclear if scaling up or replication is achieved. Information on best practices and lessons learned must therefore be readily available. Although a number of databases have already been established, there is an urgent need to expand these efforts by collecting and classifying information found elsewhere on relevant best practices and lessons learned, and using it to create easily accessible databases; improving the dissemination and accessibility of that information by establishing a network of such databases; and promoting the dissemination of best practices by all means possible, including through South-South cooperation.

62. The primary responsibility for development lies with Governments. However, even the best efforts of Governments are likely to be insufficient without a supportive international economic environment. Heavy debt burdens, inadequate access to markets in developed countries and a shortfall in ODA are obstacles that can be overcome only through international cooperation. The World Summit for Social Development, the twenty-fourth Special Session of the General Assembly, the Millennium Summit, the new round of multilateral trade negotiations, which is also known as the "development round", the recent Monterrey Consensus on financing for development, and the New Partnership for Africa's Development are all pertinent to the international cooperation necessary for overcoming the obstacles to poverty eradication.

63. A genuine effort to translate the agreements produced at such gatherings into concrete action is essential if the millennium development goals are to be reached by 2015. Regrettably, however, progress on all these fronts has been slow. Unless this situation changes, the lesson learned by 2015 may be that, owing to a lack of international cooperation, the goals could not be met.

Notes

[1] United Nations publication, Sales No. E.02.II.A.7.

[2] The other time-bound targets comprise the following: to halve, between 1990 and 2015, the proportion of people who suffer from hunger; to ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling; to eliminate gender disparity in primary and secondary education,

preferably by 2005, and to all levels of education no later than 2015; to reduce by two thirds, between 1990 and 2015, the under-five mortality rate; to reduce by three quarters, between 1990 and 2015, the maternal mortality ratio; to have halted by 2015 and begun to reverse the spread of HIV/AIDS; to have halted by 2015 and begun to reverse the incidence of malaria and other major diseases; to halve by 2015 the proportion of people without sustainable access to safe drinking water; and by 2020 to have achieved a significant improvement in the lives of at least 100 million slum-dwellers. See A/56/326, annex.

[5] World Bank, *Global Economic Prospects and the Developing Countries 2002* (Washington, D.C., 2001).

[6] UNESCO defines best practices as successful initiatives which have a demonstrable and tangible impact on improving people's quality of life; are the result of effective partnerships between the public, private and civic sectors of society; and are socially, culturally, economically and environmentally sustainable. Habitat and UNDP have broadly similar criteria defining best practices.

[7] Economic obstacles will be addressed more fully in section III of this report, which concerns financial resources for poverty eradication.

[8] See *World Economic and Social Survey 1999: Trends and Policies in the World Economy* (United Nations publication, Sales No. E.99.II.C.1), chapter VII, for a review of other forms of microfinance.

[9] World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York, Oxford University Press, 2000).

[10] J. Kim, H. Alderman and P. F. Orazt, Evaluation of the Balochistan Rural Girls' Fellowship Programme: Will Rural Families Pay to Send Girls to School?, World Bank Departmental Working Paper 22983 (Washington, 1999).

[11] *Poverty Reduction and the World Bank: Progress in Operationalizing the World Development Report 2000/2001* (Washington, D.C., World Bank, 2002), chapter III, box 3.3. Available from http://www.worldbank.org/poverty/library/progr/2000-01/chaper3.pdf.

[12] Ibid., box 3.5.

[13] Ibid.

[14] Shantayanan Devarajan, Margaret J. Miller and Eric Swanson, "Goals for development: history, prospects and costs", Working Paper No. 2819 (Washington, D.C., World Bank, 2002); *Macroeconomics and Health: Investing in Health for Economic Development: Report of the Commission on Macroeconomics and Health* (Geneva, the World Health Organization, 2001).

[15] Within this general objective, all EU members would strive to achieve an ODA to GNP ratio of at least 0.33 per cent by 2006, with members above that level maintaining or raising further their ODA contribution.

[16] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[17] The HIPC initiative has two phases: in the first phase, a country establishes a three-year track record of good performance and develops a Poverty Reduction Strategy Paper (PRSP). At the end of the first phase, the decision point, a formal decision is made on a country's eligibility, and the international community commits to providing sufficient assistance by the completion point. In the second phase, which is not time-bound, the country must establish a further track record of good performance in order to reach its completion point. Once the completion point is reached, the remaining assistance is provided.